

## Economic Sciences' Nobel Prize

### Why in news?

Economists Abhijit Banerjee, Esther Duflo and Michael Kremer were awarded with Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

### What is their work?

- **Development economics** just got a boost with the award of the Nobel Prize to the three economists.
- Mr. Banerjee and Ms. Duflo are from Massachusetts Institute of Technology (MIT), and Mr. Michael Kremer is from Harvard University.
- This is only the second time a woman has bagged the prestigious award, popularly called the Economics Nobel.
- It is the first time for a husband-wife duo to win the Economics Nobel - Mr. Banerjee is married to Ms. Duflo.
- They have worked and are still working **to understand and alleviate poverty**.
- The **experiment-based approach** of these laureates has transformed development economics and turned it into a flourishing field of research.
- The three adopted an **evidence-based approach** to apply theory to real-life situations using randomised trials and assessing the outcomes.
- The effort was to understand the impact of interventions to achieve desirable outcomes.
- The approach is derived from the concept of clinical trials in the pharmaceuticals industry.

### What experiments were done?

- **Rajasthan experiment** - Despite immunisation being free, women were not bringing in their children for the vaccination shot.
- The two MIT economists decided to give a bag of pulses free to women who brought their babies for vaccination.
- Word soon spread and the rate of immunisation shot up in the region.
- **Mumbai and Vadodara experiment** - With this, they wanted to understand the learning outcomes in the field of education.
- They wanted to know whether it is the lack of access to textbooks or hunger that caused poor learning outcomes.

- Through field studies, Mr. Banerjee and Ms. Duflo established that the problem is that teaching is not adapted to the needs of the students.
- Learning outcomes improved in schools that were provided with teaching assistants to support students with special needs.
- One of their studies resulted in benefiting 5 million children in India through programmes of remedial tutoring in schools.

### **What could be done by the Governments?**

- Governments across the world spend big money on social schemes without the vaguest of ideas on whether their objectives have been met.
- The field-work based approach that these economists have perfected has revolutionised the field of development economics and made it more relevant in policy making.
- The government would do well to borrow from the research of these laureates to understand the impact of its several schemes and where necessary.
- It will tweak them to derive maximum benefit for the thousands of crores of rupees that it spends.

**Source: The Hindu**

